

NEGOTIATING TRANSFORMATION:  
BARGAINING LESSONS LEARNED FROM THE TRANSFORMATION  
OF EMPLOYMENT RELATIONS

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OF EMPLOYMENT RELATIONS**

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**ABSTRACT**

A close look at fundamental changes in U.S. industrial relations provides fertile ground for extending negotiations theory. Preliminary evidence is presented to extend our understanding of: 1) relations that become dominated by increasingly integrative or increasingly distributive frames of reference; 2) the ways in which cooperation depends on conflict; 3) shifts from periodic to nearly continuous modes of negotiations; 4) shifts from bilateral to multilateral relations; and 5) the process by which parties bargain over how to bargain.

**INTRODUCTION<sup>1</sup>**

Industrial Relations was a fertile ground for the early development of negotiations theory. Employment relations, particularly in unionized settings, featured an interplay between two clearly differentiated labor and management institutions, each with a relatively clear sense of its own best interests. Moreover, the negotiations themselves often were observable and their outcomes carefully recorded. As interest in negotiations expanded in the 1970's, however, the formal, highly stylized nature of union-management relations was often seen as a limitation on generalizability.

Now there is increasing evidence that a transformation is occurring in U.S. industrial relations, characterized by fundamental changes in daily workplace relations, collective bargaining, and strategic decision making (Kochan, Katz, McKersie, 1986). Underlying the changes in industrial relations are the competitive pressures of a world

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<sup>1</sup> This paper is one of two preliminary reports on a research project being conducted by the co-authors on "Negotiating Transformation" under a grant from the W.E. Upjohn Foundation for Employment Relations. Special thanks are due to the following individuals who served as research assistants for various components of this project: Patrick McHugh and Kathleen Scharf.

economy (Walton, 1987), the combined fragmentation of mass markets and rise of new technologies (Piore and Sabel, 1984), increased heterogeneity in the workforce, the rise of the service sector of the economy, and other factors.

These and other changes in the industrial relations landscape have produced new and more varied patterns of labor negotiations. The wider variation in the structures and processes by which conditions of employment are being shaped today offer new opportunities to compare and contrast negotiating patterns, assess why the variations occur, and explain what difference they make. Also, many of the new patterns will prove to be analogous to negotiations in other settings -- such as negotiations that lead to joint business ventures and the give-and-take required to manage them or the negotiations that lead to long-term relations between manufacturers and their suppliers. In each of these situations, negotiations play a key role in the transformation from arms-length relations to more tightly coupled forms of economic and social relations.

The purpose of this paper is to examine a sample of different forms of labor negotiations which have emerged in some quarters of American industry -- some highly cooperative and some highly contentious. We also offer a way of thinking about why patterns of negotiating activity such as the ones we examine develop and what advantages their architects hope to derive from them. In the process, we hope to illustrate why industrial relations has once again become especially fertile territory for the study of negotiations.

The paper will primarily draw on case-study data from research on a variety of unionized relationships in diverse industries -- railroad, paper, and auto-supply. It will also incorporate findings from other research by all three authors on the changing nature of U.S. employment relations. The materials presented in this paper are preliminary findings based on a limited number of cases. Further, they focus on the nature of relations primarily in settings where there has been fundamental change. The data presented here are intended to illustrate a number of ideas; additional research is needed to assess the generalizability to other settings.

The theoretical framework for our current study of negotiations takes as a point of departure the theory of negotiations developed by Walton and McKersie in the 1960's (Walton and McKersie, 1965). Labor negotiations (and other forms of social negotiations) comprise four subprocesses, each with its own function for the interacting parties, its own internal logics, and its own instrumental acts or tactics.

The first subprocess is distributive bargaining; its function is to resolve pure conflicts of interest, to allocate fixed-sums of any economics or other resources. Tactics often center on developing relative power and convincing the other of one's own relative power. The function of the second subprocess, integrative bargaining, is to find common or complementary interests and solve problems confronting both partners. Tactics center on the exchange of accurate information and the exploration of underlying interests. The third subprocess is attitudinal structuring, and its functions are to influence the attitudes of the participants toward each other and to affect the basic bonds which relate the two partners they represent. Tactics include trust building overtures. The fourth subprocess, intraorganizational bargaining has the function of achieving consensus within each of the interacting groups. Internal decision processes and the content of interparty communication can affect the amount of internal consensus.

While each subprocess is interesting in itself, the challenge of a theory of negotiations is to understand how they interact in practice. A single action can have relevance not only for the subprocess for which it has been conceived but also for one or two other subprocesses. Sometimes an action is instrumental for several subprocesses; and sometimes it serves one subprocess well but is counterproductive for a second subprocess creating dilemmas for negotiators.

Our research has confirmed the continued relevance of the four subprocesses as analytic concepts and the idea that the subprocesses interact in complex ways. However, applying the framework to current patterns of labor-management negotiations reveals a number of changes in practice that requires an elaboration of the theory.

Observing the structure and process of labor negotiations in the 1980's against the prevalent patterns two decades earlier, we note a number of differences, including:

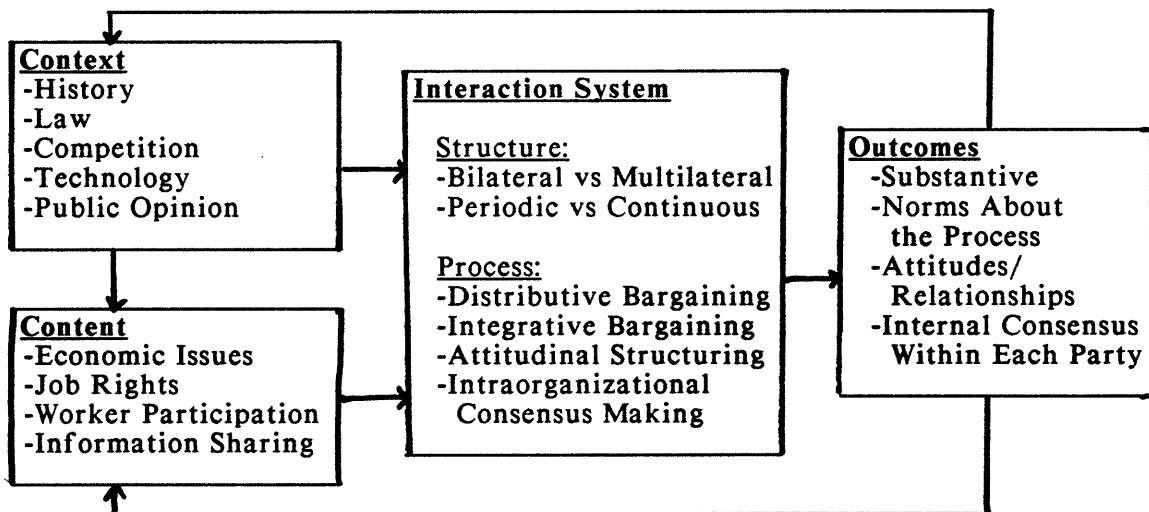
1. A striking bipolarization of labor negotiations patterns has developed in American industry; one group of companies and their unions intensify their reliance upon distributive bargaining and the other group relying increasingly upon integrative bargaining.
2. Within the group of company-union relationships in which integrative bargaining has become the dominant assumption for labor negotiations, episodes of distributive bargaining can play a key role in transforming the relationship from an arm's length mode to a partnership.
3. In the 1960's labor negotiations were focused predominantly upon revising the labor contract, occurred every few years, and were handled by a relatively few representatives for the union and management. By the 1980's labor negotiations were more continuous, often focused on developing administrative structures for handling issues rather than the rules by which they should be managed, and involved a more diverse set of participants from labor and management.
4. Labor negotiations increasingly have multilateral aspects. Moreover, intraorganizational bargaining has become more complex and manifests new dynamics.
5. Partly as a consequence of the trends just cited, the parties often enter a particular form of labor negotiations with less mutual understanding of the "name of the game." Thus, the negotiation process often includes a strong component of bargaining over how to bargain.

Each of these points is examined in more detail in Part II of the paper. Part I sets the stage for this discussion by proposing a framework for explaining why such changes occur.

## PART I: EXPLAINING CHANGES IN STRUCTURE AND PROCESSES OF LABOR NEGOTIATIONS

To explain variations in the structure and process of negotiations, such as the ones cited, we require a broader theory of negotiations systems, one that not only features the interaction aspects of negotiations (process and structure), but also includes the context, content, and outcomes of the interaction process. Figure 1 proposes the general relationships among these four aspects of negotiations.

It is beyond the scope of this paper to review in a systematic fashion the changes in context and content of labor negotiations that help explain the emergent processes and structures. However, they include a shift from an environment in which all competitors were domestic and affected by the same labor conditions, to one in which domestic compromises were competing with foreign-based companies that had either more cooperative labor relations or lower wage rates, or both. The period from the 1960's to 1980's also marked a shift from continuously rising standards of living to one where major segments of the work force experienced decreases in living standards. These changes influenced the parties expectations, their power relations, and the nature of the negotiations agendas, which affects in turn the relative salience of the various negotiating subprocesses.



The many changes in context and content of labor negotiations caused the parties, and especially managements, to seek different outcomes from labor negotiations. We identify

three types of outcomes usually valued by the parties to an ongoing relationship: 1) The substantive decisions or agreements between the parties that result from negotiations; 2) The attitudes and relationships between the parties that are created or reinforced by negotiating activity; 3) The internal consensus in each party in the aftermath of negotiations.

Between the 1960's and 1980's the basic quid pro quo negotiated in the substantive agreements between labor and management shifted dramatically. During the 1960's management provided steadily increasing economic benefits and accepted certain carefully prescribed job rights by workers in exchange for stable and orderly industrial relations and retention of broad managerial prerogatives. In contrast, in the 1980's many managements were sharing power, information and status with both workers and union representatives in exchange for labor's economic concessions, flexibility regarding work rules, and acceptance of shared responsibility for the enterprise's success through participation mechanisms. Accompanying this shift in the quid pro quo between labor and management were modified expectations regarding each of the three outcomes mentioned earlier -- substantive agreements, attitudes, and consensus.

The emphasis in the 1960's on distributing the economic pie, revising workers' carefully prescribed job rights, and maintaining order and stability required substantive agreements in which the rights and obligations of each party were understood in legal terms and were readily specified in the contract. Once agreed to, these agreements were relatively self-implementing. The attitudes required to negotiate these types of agreements in the interest of both parties were moderate trust and mutual respect. It was less important that the parties have a high level of internal agreements than that each could ensure the compliance of the members of the organization.

In the 1980's many companies are placing a greater emphasis in labor negotiations; increasing the economic pie; increasing workplace flexibility (without giving up worker protection from arbitrary authority); and sharing power and responsibility for making improvements in quality, productivity and the work environment. These outcomes are hard to express in rules; rather they are often expressed in statements of intent. Critical

outcomes often were not self-implementing; they depended upon high levels of trust and support for the agreement within both parties. Thus, in some relationships, the nature of the substantive agreement gave less emphasis to contractual language and more to shared intentions; and parties developed more ambitious aspirations for the attitudinal and consensus outcomes.

The shifts in the context and the new expectations from labor negotiations, (where they occurred), decreased the dominance of distributive bargaining, and increased the salience of integrative bargaining and attitudinal structuring. The shift also meant that parties had more incentive to encourage consensus in both their own and the other party and resist the traditional tendency to foster divisions within the other party (a common tactic to support distributive bargaining). The further consequence of these changes include the five shifts in the structure and process of labor negotiations examined below.

## **PART II: ANALYZING NEW PATTERNS OF LABOR NEGOTIATIONS**

### **A Divergence of Trends -- Toward Increasingly Integrative and Distributive Frames of Reference**

The patterns of U.S. industrial relations have become more divergent in the 1980's than during any period for almost fifty years. There has, on the one hand, been a dramatic increase in collaborative initiatives -- for reasons we have already mentioned. On the other hand, there has been a no less dramatic increase in initiatives to undercut or challenge unions. The reasons for the divergence are complex. Both types of employer initiatives result from a desire to change labor relations in order to compete. Managements that engage in collaborate initiatives are in effect emphasizing the advantages of improved quality and productivity through better day-to-day relations. Confrontational initiatives by management seek the benefits of wresting deep economic and work rule concessions from the union, usually at the expense of a climate in which cooperative improvements in performance can be pursued.

Sometimes the choice between seeking these two different types of improved competitiveness are made consciously, based, for example on management's analysis of the



likely union response to a positive overture or to a resolute bargaining stance. In other cases, neither party has a long range plan for the evolution of the relationship; rather the relationship just evolves based on tactical choices and the dynamics that flow from them. The central dynamic is where an arm's length, bilateral relationship either deteriorates into one dominated by highly distributive, low-trust assumptions or evolves into one dominated by highly integrative assumptions about mutual interests. In both cases, the parties approach their relationship with a frame of reference<sup>2</sup> that has shifted sharply.

In the distributive case we observe parties entering into formal collective bargaining with the intention of engaging in what might be thought of as traditional hard bargaining, but with the unanticipated effect of a deep adversarial cast to the relations. Consider the experience on the Maine Central railroad where management sought to address a precarious financial situation partly through a proposal for a large-scale early retirement plan. When it was rejected by the union, management concluded the employees were not serious about change. The negotiations deteriorated further to the point where the union struck and management decided to operate the railroad with a replacement workforce, an unusual tactic in that industry. The parties then found themselves embroiled in an almost intractable dispute that neither side had fully anticipated.

A similar story occurred in one International Paper plant where management came to collective bargaining with what it saw as a relatively modest set of demands that would represent a partial step toward bringing the rate of return for the plant more closely in line with its U.S. and foreign competition. One of the demands was a multi-year plan for phasing out a long-standing practice of paying Sunday premiums. The union response was to hold firm and treat the issue as a matter of principle, claiming that Sunday was a

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<sup>2</sup> We would like to express our appreciation for the contributions of Nitin Nohria to our thinking on the way social interactions can serve as a frame for future interactions. While the term frame is more often employed at an individual, psychological level (Kahneman and Tversky, 1973; Nisbet and Ross, 1980), our usage is at an institutional level and is analogous in various ways to what Douglas and Dougherty refer to as "thought worlds" (1986), to what Kihn terms paradigms (1970), and to Allison's analysis of organizational decision making (1971).

special day for families. Once again the bargaining deteriorated in ways that neither side had anticipated.

In the auto-supply industry, negotiations between the United Automobile Workers (UAW) and AP Parts followed the same pattern. An initial management attempt at hard bargaining drew an unexpectedly strong union response, which in turn was followed by management initiatives to operate independent of the union. A seven-month strike ensued that was characterized by violence, community protests, successively less effective communications between the parties. Interestingly, the combination of a new managerial team, pressure from customers and the threat of a soon-to-be-opened sister nonunion plant have produced an early, non-acrimonious settlement in recent collective bargaining. We are interested to see if this can be interpreted as a reversing of the dynamic.

What is unique about these three situations is that they are more than just examples of miscalculation by one or both sides. They each reveal the presence of an industrial relations climate in the 1980's in the United States whereby one party, labor, is increasingly insecure, while the other, management, is pressing to redefine the criteria for an acceptable settlement (toward greater recognition of competitive implications). They all have in common an unstable arrangement with the easy potential for deterioration into unanticipatedly contentious relations. Further, the deterioration seems to be characterized by the increasing dominance of distributive assumptions by each side about the other. There are still integrative aspects of the relationship, but they are diminished in scope and set in a sharply changed context.

At the same time that some relations are becoming more contentious, there are other union-management relationships that are marked by an opposite dynamic. This is the case whereby an arm's length relationship is transformed into one characterized by highly integrative assumptions.

A case in point is the relationship between Xerox and the Amalgamated Clothing and Textile Workers (ACTWU), which represents most of the employees in Xerox's Rochester, New York, main manufacturing operations (Cutcher-Gershenfeld, 1988). Initially, the parties established an employee involvement program separate from the collective

bargaining process. While the program grew for a few years and then began to decline, the parties confronted a pivotal situation where Xerox announced its decision to subcontract approximately 150 jobs. The union responded that it could not cooperate with EI, on the one hand, and see jobs lost on the other. The resolution was the establishment of a study team comprised of hourly employees who had six months to investigate the possibility of cost reductions to permit work to stay in house. They did find ways to save more than the \$3 million needed to keep work in house, but only with changes in work rules, managerial accounting principles and other matters that were clearly contractual or in areas where management was not accustomed to discussion with the union. The issues were then taken to collective bargaining where the changes were agreed to. Further, the parties negotiated new language establishing study teams in the case of further threatened outsourcing, which has occurred in seven instances since the 1984 contract.

The experience with the study teams is just one of many developments faced by Xerox and ACTWU where the outcome could have undercut collaborative efforts, but a resolution was found that instead reinforced the parties' capacity to work together. For example, similar reinforcing results accompanied the way that the parties addressed worker concern about job security (by establishing a no-layoff pledge and joint human resource strategic planning); the emergence of autonomous work groups by legitimizing this alternative structure); an organization-wide, total quality initiative (by providing the union a co-equal role in manufacturing). The upshot is that one of the nation's leading examples of cooperative labor-management relations can be understood not as the product of a grand plan, but as a dynamic situation in which a series of collaborative experiences provide the context in which new issues are addressed. Ultimately, there is a point wherein the patterns of interaction are fundamentally different than they were a decade earlier. While there continue to be many distributive aspects of the relationship, they are framed by sharply shifted assumptions.

This dynamic can be seen in its early stages in the Detroit metal-stamping operations of the Budd Company and the UAW. Like Xerox and ACTWU, the parties have had an employee involvement program in place for a number of years that has largely functioned

as a separate adjunct to the collective bargaining relationship. In 1988, however, the parties replaced the sequential process by which different crafts changed stamping dies with what they call a die transition team of about twenty workers who descend on a given production line in a way similar to a police SWAT team. The impact has been not only a dramatic reduction in the down time lost to die transition, but also an interest on the part of both the production management and the union leadership in exploring further applications of the team structure. They have just set up a joint committee to extend the team concept to monitoring quality and have discussed further applications for production operations, both of which are indicators of an increasingly integrative set of relations.

In sum, a close look at the polarization in U.S. industrial relations reveals indications of a negotiations dynamic whereby a series of ostensibly small steps serve as successive frames of reference for each other -- with the ultimate impact being a shift toward more sharply distributive or more highly integrative relations. These experiences provide a unique window into the way that the assumptions underlying negotiations can shift, and the experiences suggest that such shifts can be of great consequence.

### **Cooperation Depends on Conflict**

During the 1980's scholars, practitioners and policy makers have tended to proclaim the virtues of labor-management cooperation. However, a close look at what might be considered "cooperative" experiences suggests that there are key distributive components of even the most integrative interactions.

In the case of Xerox and ACTWU, which was mentioned earlier, the creation of study teams as an alternative to unilateral subcontracting has been hailed as one of the nation's leading cooperative successes (Lazes and Costanza, 1984). Yet, this innovation did not emerge as a consensus choice by the parties. Rather, the union held the employee involvement efforts hostage in order to establish its standing even to discuss what had previously been a managerial prerogative. Then, once the team had worked together to find ways to keep the work in house, the parties returned to the collective bargaining table to negotiate over just how many of the suggestions either side could accept. Thus, it took a

direct confrontation before certain cooperation or problem-solving could occur and even when solutions were identified cooperatively, the parties bargained about what they could accept, given a larger constellation of union and management interests.

Other examples of how cooperation must be understood as dependent on conflict can be seen in recent joint initiatives on the part of several paper companies and their unions. In these cases, both parties have taken steps to prevent the sharp deterioration of relations that they have seen at certain International Paper and Boise Cascade locations. In other words, if it were not for the object lessons provided by costly industrial conflict, they might not be so open to exploring new ways to work together.

In the above examples we see that cooperation may be preceded by confrontation; it may raise new, potentially contentious issues; and it may often be embedded in a larger set of conflicting relations. Or, in other terms, distributive components can be found in even some of the most highly integrative situations -- either directly within the situation or as a result of an intraorganizational overly. Ultimately, we find evidence to affirm a mixed-motive assumption about employment relations<sup>3</sup> that contrasts sharply with the consensus assumption that seems to underlie some current emphases on cooperation. This is a lesson that may be equally applicable to parts of the industrial relations literature and to the negotiations literature.

### **Shifts From Periodic to Continuous Negotiations**

The frequency of interaction is a key variable in negotiations research. A one-time interchange has a different character from negotiations that occur over a long series of bargaining sessions. Equally, a single set of bargaining sessions differs in many ways from a long-term relationship. Even in the current literature on negotiations (c.f. Raiffa, 1982), collective bargaining provides a particularly vivid example of the way that negotiations can unfold over a series of bargaining sessions, and the employment relationship is used as a classic example of the way negotiations can only be understood in a long-term context.

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<sup>3</sup> That is, employment relations consist of a mixture of common and competing interests or motives.

Now, recent developments in industrial relations may make it possible to learn new lessons about how the frequency of interaction affects negotiations.

In the face of competitive pressure, as well as social and technological change, many employers and unions are finding that there are critical employment-relations issues that cannot be left unaddressed for the two or three years that might stretch between regular collective bargaining. We observe two types of responses, one of which has been to delegate an increasing number of issues for consideration within the scope of various joint committees and the other, to engage (either informally or formally) in a more nearly continuous form of collective bargaining. We will discuss both responses, noting the links between them.

The 1980's have been marked by the establishment of joint committees on a proliferation of traditional issues such as apprenticeship programs, health and safety, and the United Way. Moreover, labor-management committees are being established on a range of new issues such as new technology, employment security, displaced-worker training, substance abuse counseling, product quality, product design, the subcontracting of work, new forms of work organization, employee involvement, gainsharing, grievance mediation, strategic workforce planning, and even the administration of the network of joint committees. A dilemma is faced, however, by these joint committees. On the one hand we know from our research and that of others (c.f. Kochan, Dyer and Lipskey, 1976) that the shared administrative responsibility of joint committee members does not prevent fundamental disagreements from surfacing. After all, the parties still bring distinctive interests to the committee. On the other hand, it is also clear that the norms of interaction associated with collective bargaining -- which are designed to channel fundamental disagreements -- are particularly ill suited to the effective operation of a joint committee. We have observed joint committees rendered ineffectual by the guarding of information, battling for control of the agenda, channelling of communications through a single spokesperson, and stating issues in positional terms. The joint committees pose the classic dilemma of integrative bargaining, which concerns how to create joint value without being taken advantage of (the possibility that one side will employ distributive tactics), but the

dilemma is elevated to a new institutional level. The issue is not just finding a strategy for a particular episode of bargaining, but the creation of a set of formal norms for the joint committee that is attentive to this dilemma of integrative bargaining. Often the resolution of the dilemma involves extensive general education on the work of the committee (so as to foreclose certain covert tactics), tolerance for parties occasionally distancing themselves from the operation of the committee (for example, during formal collective bargaining), quick and sharp rebukes for the misuse of confidential information, and agreements to operate on a consensus basis.

However, the operation of a joint committee on a consensus basis means that when sharp conflicts emerge they require a different forum for resolution. As such, on an informal basis -- and occasionally on a formal basis -- we observe an increase in the practice of collective bargaining as an ongoing activity. An example of a formal shift can be found in the national collective bargaining agreement between the Budd Company and the International UAW. The parties recently signed a four-year national agreement to assure continuous supply to customers and, at the same time, established a provision for the chief bargainers to meet on a quarterly basis for the duration of the agreement to address fundamental, but fluid, issues such as subcontracting and employment security.

Equally vivid as an example of more frequent and regular negotiations is an arrangement between the Rochester Products Division of General Motors and the UAW whereby the plant manager and production manager at one location meet with the local union president and bargaining chairman for an extended period every Monday morning. The meetings began almost three years ago with the implementation of a corporate-wide employment-security program. The parties discovered that in every week there were at least a few core issues regarding job classifications, work assignments, and other contractual items that required top-level attention. What has emerged is a nearly continuous form of collective bargaining. This sort of interchange then raises a host of distributive issues regarding the recording of agreements, the role of precedent, the costs of positional bargaining, the risks of giving away piecemeal what might not be agreed to as a whole, and so on. Yet it is also clear that the alternative would be an accumulation of

issues that would serve the interests of neither the employer nor the union.

Both joint committees and more frequent forms of collective bargaining are characterized by all the dilemmas traditionally associated with integrative negotiations, but stakes for the parties are higher and dilemmas must be resolved in the form of a new set of on-going procedures or institutional norms. This helps to explain why success in the new forums is often elusive for parties. Also, it presents an interesting opportunity for negotiations researchers since the codification of norms in the new forums is likely to prove highly instructive in better understanding this classic negotiations dilemma.

### **Shifts From Bilateral to Multilateral Relations**

Most analyses of negotiations in industrial relations begin with a basic distinction between the interests of labor and management. Heckscher (1986 and 1988) notes that this bilateral conception is embedded in the very laws that govern labor relations. We join Heckscher in arguing that recent developments challenge the simple, bilateral formulation, and we are particularly interested in the way this expands our conception of the nature of intraorganizational bargaining. The analysis of intraorganizational bargaining superimposes on the bilateral relations a conception of the interests of labor and management as the dynamic product of complex internal negotiations that is distinct from, but related to, the bargaining that occurs between labor and management.

There are two ways in which U.S. industrial relations are taking on a more multilateral character. First, we observe increasingly active involvement in collective bargaining and other workplace negotiations by customers, suppliers, communities, insurance providers, and regulatory agencies -- all of whom were formerly much further removed from such discussions. Second, within labor and management, we observe increasingly sharp distinctions among various internal interest groups that are manifest in "off-line" formal and informal negotiations, usually referred to by Industrial Relations scholars as "fractional bargaining."

The U.S. auto-supply industry provides a clear example of the increased involvement of customers (the major auto-manufacturing firms) and communities in the collective



bargaining discourse. Not only are customer pressures for improved quality, reduced cost and guaranteed delivery an external driving force in the industry, but the auto suppliers have been fairly explicit in their preference for long-term labor agreements that support innovative practices such as employee involvement, statistical process control, just-in-time delivery, and team work organization structures. The customers often armed with the alternative of nonunion competitors have served to unfreeze relations in unionized settings, which has then led to an increasing divergence between some unionized settings that are becoming more contentious and others that are becoming more collaborative. In the contentious case, the escalations of conflict and the implied or actual threats of plant closure bring communities into the situation. In this sense, the more multilateral nature of relations becomes an overlay on the tendency noted earlier for relations to become increasingly integrative or distributive in nature.

The formalization of various interests within labor and management is a particularly subtle aspect of the more multilateral nature of industrial relations. Heckscher (1986) highlights how the interests of various subgroups have become more sharply articulated within labor. We concur with this finding and would like to highlight similar dynamics within management.

Earlier, we discussed the emergence of special teams for die transition in the Budd Company's Detroit metal-stamping plant. An important aspect of this development is that it emerged out of a series of special discussions between the plant production manager and the union leadership. The industrial relations professionals -- who previously claimed the exclusive formal line of communications with the union -- were not central to this process. A similar dynamic is occurring in a number of General Motors facilities where the union is becoming increasingly involved with production management in the administration of what is called the Quality Network. The result, again, is a less central role for the industrial relations specialists, who often have some concerns that are distinct from line managers. Other differences can develop within management as the union becomes more linked to other functions such as engineering, product development, finance, and distinct levels within management.

As the links between the union and management organizations multiply, there are a number of consequences. First, they sharpen the intraorganizational tensions within management. Second, the distinction between union-management negotiations and intraorganizational negotiations becomes blurred. Third, a network of concurrent, distinct negotiations emerge, all with implications for one another -- requiring analysis as multilateral bargaining.

At the beginning of this section, we noted that the principle of intraorganizational bargaining underlie a dynamic and negotiated conception of collective interests. With the introduction of new stakeholders and the sharper articulation of internal interests within labor and management, the process by which collective interests are formed becomes more visible. Moreover, as interests become more salient within labor and management, and as external stakeholders become more prominent, it is increasingly important to understand relations between labor and management in this broader, multilateral context.

### **Bargaining Over How to Bargain**

Bargaining over who controls and sets the agenda in collective bargaining represents a classic intersection of distributive and attitudinal-structuring aspects of negotiations. In recent years, however, we have observed that competitive pressures, rapid changes in markets and technology, and aggressive managerial strategies can transform debates over who controls the agenda into a deeper form of bargaining over the very norms that will govern negotiations.

The importance of this form of bargaining is first evident in its absence. This was illustrated by Friedman's (1988) analysis of the collapse of negotiations between what had been the International Harvester Corporation and the UAW. In a highly detailed, micro-sociological analysis, he traced the way a new management bargaining team sought to introduce what it thought was an open style of communications for addressing the firm's difficult financial situation. The union interpreted these new behaviors in traditional terms, however, which set in motion a dynamic by which the various stakeholders within management and labor came to have increasingly divergent expectations of the

negotiations. Ultimately bargaining collapsed into a crippling strike. As Friedman notes, the parties never established a basic level of "communicative competence" that would enable them to understand how they were misinterpreting one another.

The process by which communicative competence is established, we would argue, involves a form of meta-bargaining over how bargaining will occur. We have seen few instances when this has taken place as part of an intentional, shared strategic plan.<sup>4</sup> We have observed more instances where it emerges in response to a perceived inability to interact in traditional ways. For example, when the Budd Company and the UAW agreed to establish the die-transition teams, the process began with the company's concern that it needed to negotiate new contractual language that would give it more flexibility in die transition. Internally, however, the management bargaining team could not produce any proposed contract language that the industrial relations staff felt could be effectively administered. The local union, knowing this was a management concern, also sought to draft a potential response, but it too could not come up with any language that it felt it could enforce. Finally, the production manager and the union leadership sidestepped the industrial relations function and negotiated a letter of agreement that departed from all norms for contract language. It was basically a broad statement of intent and it was on that basis that the die-transition team structure was then allowed to develop. In the words of the plant manager:

We tried at first to do it the old way, but it didn't work. It could not be developed in bargaining language. Thus, we got rid of the "mays," which have always been interpreted as something I don't have to do, and the "shalls," which is something that I must do.

In essence, the parties had to first agree to operate on the basis of a different norm before they could come to agreement on the substance. Thus, bargaining over how to bargain involves a form of social structuring that goes well beyond the processes of attitudinal structuring.

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<sup>4</sup> One notable example, however, is a current initiative of the Harvard Law School Program on Negotiations that is being led by Lawrence Susskind and Charles Heckscher, and that is sponsored by the U.S. Department of Labor.

## CONCLUSIONS

U.S. industrial relations has changed dramatically from the bilateral, periodic form of collective bargaining at the heart of A Behavioral Theory of Labor Negotiations (Walton and McKersie, 1965). Today, we observe a number of cases where a changed competitive, social, technological and historical context has changed the issues before labor and management, as well as the way they arise. While we can not fully assess the generalizability of the cases, they are presented to illustrate potential new directions for negotiations theory.

In examining the cases, we see that two core dilemmas of traditional collective bargaining are becoming more sharply articulated. On the one hand, there is the distributive dilemma that hard bargaining undercuts a party's chances of achieving integrative gains. Today, while hard bargaining is attractive as a seemingly expeditious path for management to achieve deep concessions in wages and work rules, it carries the increased risk of unexpectedly rapid escalation of conflict and the eventual collapse of a relationship. On the other hand, there is the dilemma attendant to integrative bargaining in which cooperative parties are always vulnerable to distributive tactics. Now, however, as union leaders and management officials each seek to maintain their independence while collaborating on common problems, the integrative dilemma must be resolved in a way that can be formalized into the norms by which joint committees and other forums operate. Overlaid on these more sharply articulated dilemmas are not just intraorganizational pressures but even more complex multilateral dynamics. Further, the processes of attitudinal structuring have expanded in a much broader task of social structuring, which involves bargaining over the very norms that govern negotiations.

While our own analysis of the negotiations associated with transformation in employment relations is still under way, this paper identifies some of the emergent themes. We have found that the transformation of employment relations can be understood as, in many ways, a negotiated process. Further, we have found that these negotiations, formal and informal, became more sharply articulated and more far reaching than traditional labor-management negotiations. Finally, it is clear that in this time of deep change, industrial relations have come full circle as a rich context for the study of negotiations.

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